

# Supplemental Coverage Option (SCO) and Enhanced Coverage Option (ECO)

Federal law limits the authority for the Federal Crop Insurance Corporation (FCIC) to insure farm-based multi-peril products at more than an 85% coverage level. However, endorsements such as the Supplemental Coverage Option (SCO) and the Enhanced Coverage Option (ECO) products can be used to extend coverage beyond 85%. Both provide county-based coverage for a portion of the insured's underlying crop insurance policy deductibles. These endorsements can be purchased annually, are tied to the underlying multi-peril product (typically Revenue Protection or Yield Protection) that an insured producer purchases annually, and indemnities are calculated using county-level yields.

## How SCO Works

The Supplemental Coverage Option (SCO) endorsement begins to pay when county-based loss falls below 86% of its expected level. SCO differs from the underlying policy in how a loss payment is triggered. The underlying policy pays when loss at the farm-level occurs, either due to a loss in yield or revenue. The SCO indemnity is triggered only when county-based losses fall below 86%.

The full amount of the SCO coverage loss is paid out when the county average yield or revenue falls to the coverage level of the underlying policy. It is possible to experience a farm-level loss but not trigger an SCO indemnity payment, or vice-versa. Figure 1 features Revenue Protection as the underlying policy with an 80% coverage level, and the purchase of SCO.



Figure 1

The **SCO Payment Limit** is farm-specific and is determined as the difference between 86% and the coverage level of the underlying policy, multiplied by the dollar value of the farm-specific expected crop value. The expected crop value is simply the February projected price multiplied by the farm Actual Production History (APH). The only exception occurs when the October harvest price is higher than the projected price and the underlying policy is Revenue Protection, in which case the expected crop value is the harvest price multiplied by the farm APH.

The **SCO indemnity** depends on both the farm-specific expected crop value and county yields or revenues. When the underlying policy is Yield Protection and the Actual County Yield is lower than 86% of the Expected County Yield, the **SCO indemnity** equals the difference between 86% and the ratio of Actual County Yield to Expected County Yield, multiplied by the farm-specific expected crop value. When the underlying policy is Revenue Protection and the Actual County Revenue is lower than 86% of the Expected County Revenue, the **SCO indemnity** equals the difference between 86% and the ratio of Actual County Revenue to Expected County Revenue, multiplied by the farm-specific expected crop value. Actual County Revenue is calculated as harvest price multiplied by Actual County Yield. Expected County Revenue is calculated as Expected County Yield multiplied by the highest of the projected or the harvest price. If the underlying policy is Revenue Protection with Harvest Price Exclusion, the Expected County Revenue is calculated as projected price multiplied by Expected County Yield. The **SCO indemnity** is always capped at 100% of the SCO Payment Limit.

The Expected County Yield (Table 1) for each county is determined by the USDA Risk Management Agency (RMA) using a linear trend over 30 years of acre-weighted average annual yields.

For example, the Expected County Yield for Boone County, Iowa, in 2021 was 202.8 bushels per acre and it was calculated using county average yields from 1990 to 2019.

The Actual County Yield is also determined by RMA as the acre-weighted average yield within the county as provided by insured producers. RMA expects to publish Actual County Yields for corn and soybeans in Iowa on or before June 16 following the crop year. For example, the Actual County Yield for Boone County, Iowa, in 2021 will be available mid-June 2022. Therefore, if an SCO indemnity is triggered for Boone County, it will not be payable until after June 16, 2022.

To illustrate how SCO works, suppose an operator in Boone County purchases Yield Protection for her corn acres in March 2021 with an 80% coverage level (this is the “underlying policy”), an APH of 185 bushels, and a projected price of \$5.00 per bushel. The expected crop value is \$925 (185 bu. × \$5.00), of which the underlying policy covers \$740 (\$925 × 80%) and leaves \$185 (\$925 × 20%) as deductible. She also buys the SCO Endorsement that provides yield protection based on county yields. The SCO Payment Limit is \$55.50 = \$925 × (86% - 80%). Suppose in June 2022, the Actual County Yield for Boone is 168.5 bushels per acre, equivalent to 83.1% (168.5 / 202.8) of the Expected County Yield. The SCO indemnity for the operator amounts to \$26.83 = \$925 × (86% - 83.1%), which is lower than the \$55.50 SCO Payment Limit.

Suppose now that another operator in Story County purchases Revenue Protection for his corn acres in March 2021 with a 75% coverage level and an APH of 170 bushels. His expected crop value is \$850 (170 bu. × \$5.00). He also buys the SCO Endorsement to secure \$93.50 (\$850 × 11%) in SCO coverage. Story County has an Expected County Yield of 194.4 bushels for 2021. Suppose in June 2022, the Actual County Yield for Story County is 169.5 bushels, equivalent to 87.2% of the Expected County Yield. If the harvest price in October 2021 is \$4.00, then his SCO indemnity is calculated as  $\$850 \times [86\% - (\$4.00 \times 169.5 \text{ bu.}) / (\$5.00 \times 194.4 \text{ bu.})] = \$137.70$ , which exceeds the \$93.50 SCO Payment Limit. If the harvest

price in October 2021 is \$6.00, then the expected crop value is \$1,020 (\$6.00 × 170 bu.) and the SCO indemnity becomes null, because the ratio of Actual to Expected County Revenue,  $87.2\% = (\$6.00 \times 169.5 \text{ bu.}) / (\$6.00 \times 194.4 \text{ bu.})$ , exceeds 86%.

## Purchasing SCO

The exact premium cost for SCO depends on the crop, county, coverage level selected for the underlying policy, such as Yield Protection or Revenue Protection. The Federal Government subsidizes 65% of the premium. Consult your crop insurance agent to determine if SCO best meets the insured’s risk management needs and for detailed price quotes. Quick estimates of SCO premiums can be obtained from the [USDA Risk Management Agency Cost Calculator](https://ewebapp.rma.usda.gov/apps/costestimator/Estimates/QuickEstimate.aspx), <https://ewebapp.rma.usda.gov/apps/costestimator/Estimates/QuickEstimate.aspx>. The SCO Expected County Yields for all crops and all counties in the nation are available through the [USDA RMA Information Reporting System](https://webapp.rma.usda.gov/apps/RIRS/SCOYieldsRevenuesPaymentIndicators.aspx), <https://webapp.rma.usda.gov/apps/RIRS/SCOYieldsRevenuesPaymentIndicators.aspx>.

If the insured elects annually the USDA Farm Service Agency (FSA) program Agricultural Risk Coverage (ARC), then SCO coverage for that crop on that farm will be canceled. The insured must report the crop on that farm as covered by ARC on their FSA acreage report or will forfeit 20% of their SCO premium on that crop and farm to cover administrative expenses. However, the underlying crop insurance policy will still be in effect.

## How ECO Works

The Enhanced Coverage Option (ECO) is a crop insurance endorsement product introduced in 2021. It provides additional county-based coverage for a portion of the underlying crop insurance policy deductible. ECO offers the insured a choice of 90% or 95% trigger levels. Trigger means the percentage of expected county-based yield or revenue at which a loss becomes payable. The ECO endorsement begins to pay when county yield or revenue falls below 95% (or 90%, if that is the trigger level elected). The full amount of the ECO coverage is paid out when the county average revenue falls to 86%.

Figure 2 features Revenue Protection as the underlying policy with an 80% coverage level, and the election of ECO at the 95% trigger level.

An **ECO indemnity** payment is only triggered by the county-based revenue or yield loss, and is not affected by an indemnity payment for the underlying policy. Therefore, it is possible to experience a farm-level loss but not receive an ECO payment, or vice-versa. An insured may also receive indemnities on both the underlying policy and ECO.



**Figure 2**

ECO works similarly to SCO and uses the same Actual County Yields and Expected County Yields. The **ECO Payment Limit** is also farm-specific and is determined as the difference between 90% or 95% (depending on the chosen trigger level) and 86%, multiplied by the dollar value of the farm-specific expected crop value. Consider the farmer in Boone County from the SCO example. If she purchases ECO at the 95% trigger level, the ECO indemnity is calculated as  $\$925 \times (95\% - 83.1\%) = \$110.08$ . However, since  $\$110.08$  is higher than her ECO Payment Limit of  $\$83.25 = \$925 \times (95\% - 86\%)$ , her ECO indemnity amounts to  $\$83.25$ .

Consider now the farmer in Story County from the SCO example. If he purchases an ECO Endorsement with a 90% trigger level, and the harvest price in October 2021 is  $\$4.00$ , then his ECO indemnity is calculated as  $\$850 \times [90\% - (\$4.00 \times 169.5 \text{ bu.}) / (\$5.00 \times 194.4 \text{ bu.})] = \$172.10$ . However, since  $\$172.10$  is higher than the ECO Payment Limit of  $\$34.00 = \$850 \times (90\% - 86\%)$ , his indemnity amounts to  $\$34.00$ . If the harvest price in October 2021 is  $\$6.00$ , then the ECO indemnity amounts

to  $\$28.56 = \$1,020 \times [90\% - (\$6.00 \times 169.5 \text{ bu.}) / (\$4.00 \times 194.4 \text{ bu.})]$ , which is lower than his ECO Payment Limit of  $\$40.80 = \$1,020 \times (90\% - 86\%)$ .

## Purchasing ECO

ECO provides coverage on a portion of the deductible where losses are more frequent, so premiums will reflect that higher risk. The Federal Government subsidizes the ECO premium at 51% on a Yield Protection underlying policy and 44% on a Revenue Protection or Revenue Protection with Harvest Price Exclusion underlying policy.

The exact premium cost for ECO will depend on the crop, county, coverage level selected, and type of coverage selected such as Yield Protection or Revenue Protection. Additional variables affecting the premium include the projected price and the volatility factor of the applicable commodity futures market. Consult your crop insurance agent to determine if ECO best meets the insured's risk management needs and for detailed price quotes. Quick estimates of ECO premiums can be obtained from the [USDA Risk Management Agency Cost Calculator](https://ewebapp.rma.usda.gov/apps/costestimator/Estimates/QuickEstimate.aspx), <https://ewebapp.rma.usda.gov/apps/costestimator/Estimates/QuickEstimate.aspx>.

ECO cannot be purchased if the insured has a Margin Protection or an Area Risk Protection Insurance policy. The underlying policy for ECO cannot have the Hurricane Insurance Protection – Wind Index Endorsement. ECO coverage cannot attach to any acres that are insured by a Stacked Income Protection Plan (STAX). Unlike SCO, eligibility for ECO is not dependent upon the farm bill program elected. The insured can purchase SCO on all acres covered by ECO, but are not required to purchase SCO to purchase ECO.

## Resources

### [SCO Fact Sheet](https://www.rma.usda.gov/Fact-Sheets/National-Fact-Sheets/Supplemental-Coverage-Option-2018)

[www.rma.usda.gov/Fact-Sheets/National-Fact-Sheets/Supplemental-Coverage-Option-2018](https://www.rma.usda.gov/Fact-Sheets/National-Fact-Sheets/Supplemental-Coverage-Option-2018)

### [ECO Fact Sheet](https://www.rma.usda.gov/en/Fact-Sheets/National-Fact-Sheets/Enhanced-Coverage-Option)

[www.rma.usda.gov/en/Fact-Sheets/National-Fact-Sheets/Enhanced-Coverage-Option](https://www.rma.usda.gov/en/Fact-Sheets/National-Fact-Sheets/Enhanced-Coverage-Option)

**Table 1. Expected 2022 County Yield for Supplemental Coverage Option (SCO) and Enhanced Coverage Option (ECO) (bushels per acre)**

	Corn	Soybeans		Corn	Soybeans		Corn	Soybeans
Adair	177.7	53.8	Floyd	196.3	55.9	Monona	206.1	56.1
Adams	179.9	53.2	Franklin	203.0	56.5	Monroe	141.9	45.0
Allamakee	192.3	55.5	Fremont	198.0	55.8	Montgomery	197.6	57.4
Appanoose	144.0	44.5	Greene	203.5	56.3	Muscatine	189.8	59.1
Audubon	209.9	60.5	Grundy	219.6	64.3	O'Brien	211.4	62.8
Benton	207.8	59.5	Guthrie	192.5	55.0	Osceola	200.5	58.5
Black Hawk	198.1	56.2	Hamilton	194.1	53.7	Page	191.8	56.1
Boone	202.8	55.7	Hancock	201.8	58.7	Palo Alto	199.6	55.2
Bremer	204.8	59.1	Hardin	200.4	57.8	Plymouth	214.6	61.4
Buchanan	199.8	57.1	Harrison	201.5	56.4	Pocahontas	195.9	56.0
Buena Vista	197.3	56.9	Henry	197.3	58.4	Polk	186.7	55.0
Butler	200.2	55.8	Howard	201.0	57.0	Pottawattamie	199.8	57.3
Calhoun	204.5	55.9	Humboldt	201.3	56.7	Poweshiek	200.5	58.5
Carroll	216.5	61.5	Ida	222.0	61.7	Ringgold	143.3	48.4
Cass	196.6	57.3	Iowa	196.7	56.2	Sac	211.8	60.2
Cedar	209.8	61.9	Jackson	196.9	58.7	Scott	207.6	64.2
Cerro Gordo	194.7	56.3	Jasper	203.4	62.0	Shelby	206.9	61.5
Cherokee	208.1	62.4	Jefferson	170.1	52.2	Sioux	219.0	66.5
Chickasaw	194.4	56.2	Johnson	193.0	56.5	Story	194.4	54.3
Clarke	131.1	46.8	Jones	200.4	58.4	Tama	209.9	60.1
Clay	189.4	54.6	Keokuk	192.8	56.2	Taylor	167.1	51.4
Clayton	203.1	61.5	Kossuth	203.9	61.0	Union	163.7	51.2
Clinton	200.6	60.5	Lee	177.6	56.9	Van Buren	155.0	46.8
Crawford	219.6	62.3	Linn	206.6	57.5	Wapello	172.1	51.4
Dallas	193.9	54.7	Louisa	198.1	58.1	Warren	175.3	52.6
Davis	155.1	43.1	Lucas	131.9	45.0	Washington	200.5	59.0
Decatur	146.7	45.5	Lyon	207.5	63.4	Wayne	139.6	45.8
Delaware	200.0	62.2	Madison	180.8	53.5	Webster	197.0	52.7
Des Moines	200.3	61.3	Mahaska	191.0	58.1	Winnebago	205.2	57.5
Dickinson	186.2	54.5	Marion	181.6	54.1	Winneshiek	200.6	56.3
Dubuque	203.2	63.3	Marshall	212.6	62.2	Woodbury	196.3	57.5
Emmet	195.0	55.5	Mills	200.9	56.5	Worth	197.8	57.0
Fayette	199.4	57.1	Mitchell	202.2	57.3	Wright	189.7	54.8

Source: [USDA RMA](https://webapp.rma.usda.gov/apps/RIRS/SCOYieldsRevenuesPaymentIndicators.aspx), <https://webapp.rma.usda.gov/apps/RIRS/SCOYieldsRevenuesPaymentIndicators.aspx>



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Prepared by Alejandro Plastina, extension economist  
515-294-6160 | [plastina@iastate.edu](mailto:plastina@iastate.edu)

Steven Johnson, retired extension farm  
management field specialist

[extension.iastate.edu/agdm](http://extension.iastate.edu/agdm)  
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